MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

T2, 2019/ 2020

BFM7094 – FINANCIAL MARKETS

(MBA Full Time)

20 JANUARY 2020
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **FIVE (5)** pages with **4 Questions** only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Write all your answers in the **Answer Booklet** provided.

QUESTION 1 (25 MARKS)

Please read the the montary policy implemented by Bank Negara Malaysia based on its statement released on September 19, 2019, as follows:

"Monetary Policy Statement

Ref No: 09/19/02 12 Sep 2019 Embargo: Not for publication or broadcast before 1500 hours on Thursday 12 September 2019

At its meeting today, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 3.00 percent. The global economy is expanding at a more modest pace amid slower growth in most major advanced and emerging economies. The recent escalation of trade tensions points to weaker global trade going forward, with increasing signs of spillovers to domestic economic activity in a number of countries. Monetary policy easing in several major economies has eased global financial conditions, but uncertainty from the prolonged trade disputes and geopolitical developments could lead to excessive financial market volatility.

For Malaysia, the stronger economic growth performance in the second quarter of 2019 was underpinned by the resilience of private spending amid broad-based expansion in key economic sectors. Going forward, these domestic drivers of growth, alongside stable labor market and wage growth are expected to remain supportive of economic activity. On the external front, Malaysia's diversified exports will partly mitigate the impact of softening global demand. Overall, the baseline growth projection for 2019 remains unchanged, within the range of 4.3% - 4.8%. This projection, however, is subject to further downside risks from worsening trade tensions, uncertainties in the global and domestic environment, and extended weakness in commodity-related sectors. Average headline inflation year-to-date is 0.3%. Headline inflation is projected to average higher for the remaining months of the year and into 2020.

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However, headline inflation is expected to remain low. This reflects the lapse in the impact of consumption tax policy changes, the relatively subdued outlook on global oil prices, and policy measures in place to contain food prices. The trajectory of headline inflation will, however, be dependent on global oil and commodity price developments. Underlying inflation is expected to remain stable, supported by the continued expansion in economic activity and in the absence of strong demand pressures.

At the current level of the OPR, the stance of monetary policy remains accommodative and supportive of economic activity. The MPC will continue to assess the balance of risks to domestic growth and inflation, to ensure that the monetary policy stance remains conducive to sustainable growth amid price stability."

a. Based on the above statement, please explain main objectives of the monetary policy currently conduced by Bank Negara Malaysia.

(10 marks)

b. In your opinion, what kind of monetary policy that Bank Negara Malaysia should carry out to stabilize its economy, in the event that Malaysia faces a financial crisis in the coming years?

(15 marks)

QUESTION 2 (25 MARKS)

Between 1992 and 2019, the exchange rate between the Malaysian ringgit and U.S. dollar is ranging from 2.49 to 4.88 according to the Trading Economics website.

Please discuss your view on how the pros and cons for the Malaysian economy of experiencing a low/high exchange rate between the two currencies. Elaborate on the importance of having a stable currency for an economy.

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QUESTION 3 (25 MARKS)

The government's attempt to increase the amount of young first-time homebuyers in 2019. With a stronger economic growth expected to be in the year 2020, young Malaysian buyers can take advantage of benefits of lower stamp duty for houses with value of less than RM 400,000. As a young Malaysian buyer, you plan to buy your first property in the coming months. From the list of potential properties that you are interested in, the following are the two short listed properties with different home loan conditions:

Property A:

Loan duration: 30 years
House price: RM200, 000
Interest rate: 6.5% per annum
Percentage of down payment required: 5%

Property B

Loan duration: 30 years
House price: RM200, 000
Interest rate: 6.5% per annum
Percentage of down payment required: 10%

a. What are monthly fixed-mortgage payments for property A and B?

(10 marks)

b. If you have to settle the entire loan after the first 10 years, how much should you need to pay for each of the above properties?

(10 marks)

c. If monthly payments made for property B are the same with those made for property A, how long do you need to service property B?

(5 marks)

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QUESTION 4 (25 MARKS)

a. What is the initial public offering (IPO) process?

(5 marks)

b. How many steps does a firm must undertake to go public via an IPO process? Explain them in details.

(15 marks)

c. What are the metrics used for judging the performance of an IPO?

(5 marks)

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